

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
HA-05 MCT-01 ACDA-12 IO-13 AID-05 EB-08 TRSE-00
OMB-01 COME-00 STR-07 /120 W
-----044409 072020Z /50

R 071625Z APR 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 1859
INFO AMEMBASSY BOGOTA
AMEMBASSY MANAGUA
USCINCLANT NORFOLK VA
USCINCZO QUARRY HEIGHTS

LIMITED OFFICIAL USE SECTION 1 OF 2 CARACAS 3236

E.O. 11652: N/A
TAGS: EFIN PERP PINT PGOV VE NI
SUBJECT: THIS WEEK IN VENEZUELA
REF: CARACAS 3028

SUMMARY: PRESIDENTIAL CAMPAIGN OFFICIALLY OPENS; THE MAJOR PARTY CANDIDATES ARE SATISFIED WITH THEIR INITIAL APPEALS AND DIEGO ARRIA IS IN THE WINGS. VENEZUELAN MILITARY SEIZES SEVEN "INSURGENTS" AT A TRAINING SITE IN ARAGUA STATE. VENEZUELAN-NICARAGUAN RELATIONS SOUR FURTHER. PRESIDENT PEREZ ADDRESSES SELA MEETING. CHAMBER OF DEPUTIES APPROVES INCOME TAX REFORM ACT. VENEZUELA TO BORROW 40 BILLION YEN. IMPORT RESTRICTIONS IMPOSED. END SUMMARY

1. PRESIDENTIAL CAMPAIGN KICKOFF - MAJOR PARTIES SATISFIED/ARRIA IN THE WINGS.

AD PRESIDENTIAL CANDIDATE LUIS PINERUA ORDAZ' BLITZ OF NINETEEN MEETINGS IN AS MANY STATES OVER THE WEEKEND APRIL 1-2 TO OPEN THE OFFICIAL CAMPAIGN WAS HAILED BY AD
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LEADERS AS A RESOUNDING SUCCESS. SIMILARLY, COPEI CANDIDATE LUIS HERRERA CAMPINS MASSIVE RALLY IN VALENCIA APRIL 1 DREW A LARGE CROWD WHICH PLEASED HIS SUPPORTERS. NEITHER CANDIDATE SAID ANYTHING DRAMATICALLY NEW. LOCAL NEWS REPORTS CONCENTRATED ON THE MASSIVE PILES OF LITTER WHICH SUPPORTERS OF THE CANDIDATES LEFT IN PUBLIC SQUARES OVER THE WEEKEND. IN THIS REGARD, THE SUPREME ELECTORAL

COUNCIL DECIDED THAT PUBLIC SQUARES CAN BE USED ONLY BY POLITICAL PARTIES FOR RALLIES DURING WEEKENDS. IN OTHER DEVELOPMENTS, THE CARACAS PRESS REPORTED THAT DIEGO ARRIA TOLD THE US MEDIA EARLY THISWEEK THAT HIS PRESENCE IN THE PRESIDENTIAL CAMPAIGN AS AN INDEPENDENT WOULD BREAK THE STRANGLE HOLD (POLARIZACION) THE TWO MAJOR PARTIES HAVE ON THE ELECTORATE. COMMENT: VENEZUELAN POLITICAL PARTIES TRADITIONALLY HOLD RALLIES DURING THE CAMPAIGN IN MAJOR SQUARES, CREATING MASSIVE TRAFFIC JAMS AS WELL AS PILES OF LITTER. THUS THE CSE RULING. ARRIA HAS NOT OFFICIALLY ANNOUNCED HIS CANDIDACY BUT HIS STATEMENTS IN NEW YORK WERE PROBABLY CALCULATED TO DRAW US MEDIA ATTENTION TO HIM AS WELL AS TO GENERATE FEEDBACK HERE. THE CARACAS PRESS HAS ALREADY BEGUN TO INCLUDE HIS PICTURE TOGETHER WITH THE OTHER PRESIDENTIAL CANDIDATES IN CAMPAIGN STORIES. END COMMENT

2. MILITARY SEIZE SEVEN "INSURGENTS" IN ARAGUA STATE
ON APRIL 3 A COMBINED GROUP OF ARMY SOLDIERS AND ARAGUA STATE POLICE CAPTURED SEVEN "INSURGENTS" NEAR THE SMALL TOWN OF "EL CONSEJO" IN ARAGUA STATE, WEST OF CARACAS. ACCORDING TO PRESS ACCOUNTS, SIX OF THE SEVEN WERE HIGH SCHOOL OR UNIVERSITY STUDENTS, RANGING IN AGE FROM 18 TO 20. ONE OLDER MAN WAS ALSO CAPTURED, TOGETHER WITH SMALL ARMS, MEDICINES, AND OTHER SUPPLIES. DEFENSE MINISTER PAREDES BELLO PUBLICLY DENIED THAT THE AREA SERVED LIMITED OFFICIAL USE

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AS A "GUERRILLA CAMP" SAYING RATHER THAT IT WAS A SMALL TRAINING SITE. THIS HAS NOT BEEN VERIFIED. PRESS ACCOUNTS INDICATE THAT BIRD WATCHERS STUMBLED ON THE CAMP, AND THEN ALERTED THE AUTHORITIES. COMMENT; FAR-LEFT FRONT GROUPS PARTICULARLY "RUPTURA" HAS BEEN ACTIVE IN MARACAY, THE CAPITAL OF ARAGUA IN RECENT MONTHS, ALTHOUGH LOCAL POLITICAL OBSERVERS RECENTLY INFORMED EMBASSY THAT THERE HAS NOT BEEN ANY POLITICALLY MOTIVATED TERRORISM THERE. THERE REPORTS, IN FACT, POINT TO THE LIKELIHOOD THAT THE INSURGENTS WERE IN A TRAINING CAMP. SOME MAY HAVE ALSO BEEN INVOLVED IN BANK ROBBERIES EARLIER THIS YEAR OR OTHER CRIMINAL ACTIVITIES TO GARNER FUNDS. THE EMBASSY WILL REPORT SEPARATELY WHEN MORE INFORMATION IS AVAILABLE. END COMMENT

3. VENEZUELAN-NICARAGUAN RELATIONS SOUR FURTHER.
FOLLOWING ALLEGATIONS BY NICARAGUAN PRESIDENT SOMOZA THAT PRESIDENT PEREZ HAD BEEN ACTIVELY TRUMPETING SOMOZA'S REMOVAL FROM OFFICE, A VENEZUELAN FOREIGN MINISTRY COMMUNIQUE OF APRIL 4 STATED CATEGORICALLY THAT THE GOV HAS NOT INTERVENED IN NICARAGUAN INTERNAL AFFAIRS, AND THEN REITERATED GOV'S POSITION THAT THE INTER-AMERICAN HUMAN RIGHTS

COMMISSION SHOULD VISIT NICARAGUA TO INVESTIGATE "REPEATED VIOLATIONS OF HUMAN RIGHTS AND THE GOVERNMENTAL REPRESSION FOLLOWING THE AS YET UNRESOLVED ASSASSINATION OF REPORTER PEDRO JOAQUIN CHAMORRO." THE COMMUNIQUE ENDED BY NOTING THAT GOV REJECTS AND CONDEMNS ATTACKS ON PEREZ AND INTERPRETS THEM AS AN OUTRIGHT ATTEMPT BY THEGOV TO HIDE THE GRAVE CRISES FACING NICARAGUA. APRIL 5, SPEAKING TO THE SAME SUBJECT, PRESIDENT PEREZ REFUSED TO COMMENT ON SOMOZA'S ACCUSATIONS. PEREZ ADDED THAT, AS THE HEAD OF A DEMOCRATIC STATE, HE WOULD CONTINUE TO PRESS FOR A VISIT BY THE IAHRC TO NICARAGUA. COMMENT: LOCAL SENSATIONALIST PRESS HAS SPECULATED THAT SOMOZA'S PERSONAL ATTACK ON PEREZ MIGHT TEMPT PEREZ TO BREAK RELATIONS. EMBASSY DOES NOT BELIEVE GOV WILL BREAK RELATIONS. GOV WANTS SOMEONE LIMITED OFFICIAL USE

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IN MANAGUA TO KEEP IT INFORMED AND TO MAINTAIN CONTACT WITH OPPOSITION TO SOMOZA. END COMMENT

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
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HA-05 MCT-01 ACDA-12 IO-13 AID-05 EB-08 TRSE-00
OMB-01 COME-00 STR-07 /120 W
-----044178 072019Z /50

R 071625Z APR 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 1860
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4. PRESIDENT PEREZ ADDRESSES SELA MEETING APRIL 5.

VENEZUELAN PRESIDENT CARLOS ANDRES PEREZ CLOSED THE THREE DAY SELA MINISTERIAL IN CARACAS WITH A LONG SPEECH REVIEWING THE HISTORY OF SELA'S ROLE IN LATIN AMERICAN INTEGRATION AND MAKING THE FOLLOWING POINTS:

--THE BURDEN OF EXTERNAL DEBT IS OVERWHELMING THE EFFORTS OF MORE THAN 50 THIRD WORLD COUNTRIES TO DEVELOP THEIR ECONOMIES AND CREATING SERIOUS DIFFICULTIES IN OTHERS.
--SELA IS AN IMPORTANT INSTRUMENT FOR ECONOMIC INTEGRATION IN LATIN AMERICA, BUT AN ORGANIZATION WHICH STILL HAS INTERNAL PROBLEMS TO RESOLVE.
--LATIN AMERICA IS AN IMPORTANT MARKET FOR THE EUROPEAN NATIONS AND THE UNITED STATES.
--ONLY THROUGH INTEGRATION CAN THE DEVELOPING WORLD ASPIRE TO EQUALITY WITH THE DEVELOPED WORLD IN THE GLOBAL TRADING SYSTEM AND TO ACHIEVE DEVELOPMENT GOALS. NATIONALISM NARROWLY DEFINED MUST GIVE WAY TO A BROADER CONCEPT OF REGIONAL INTERESTS.
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5. INCOME TAX ACT APPROVED

ON MARCH 30, THE CHAMBER OF DEPUTIES OF THE NATIONAL CONGRESS APPROVED THE INCOME TAX REFORM ACT, FIRST PROPOSED BY THE GOV IN OCTOBER OF 1976. THE TEXT APPROVED LAST WEEK BY THE CHAMBER WAS IDENTICAL TO THAT PASSED BY THE SENATE IN DECEMBER OF 1977, AND WILL BRING AN ESTIMATED BS500 MILLION (&117 MILLION) INTO THE TREASURY EACH YEAR. THE ACT IS SUPPOSED TO GO INTO EFFECT IMMEDIATELY, AND WILL AFFECT LIABILITY FOR INCOME EARNED THIS YEAR. BECAUSE UNDER THE VENEZUELAN SYSTEM MOST TAXES ON 1978 INCOME WILL BE PAID IN 1979, THE REVENUE POSITION OF THE GOVERNMENT WILL NOT BE SIGNIFICANTLY AFFECTED THIS YEAR. IN ANY CASE, IN THE CONTEXT OF A BUDGET WHICH IN 1977 CALLED FOR INCOME AND EXPENDITURES OF OVER \$11 BILLION, THE IMPACT OF THE NEW BILL WILL BE NEGLIGIBLE. MORE DETAILED ANALYSIS WILL FOLLOW IN A SEPARATE REPORT.

6. VENEZUELA TO BORROW 40 BILLION YEN IN JAPAN.

UNDER ITS PUBLIC SECTOR FINANCING LEGISLATION, THE GOV IS NEGOTIATING A SECOND BOND ISSUE IN JAPAN, TO TOTAL 40 BILLION YEN (APPROXIMATELY \$180 MILLION). ACCORDING TO VENEZUELAN SOURCES, THE BONDS ARE EXPECTED TO BE SOLD IN THE JAPANESE MONEY MARKET IN MAY OF THIS YEAR. LATE IN 1977, THE GOV SOLD YEN-DENOMINATED BONDS IN JAPAN VALUED AT ABOUT \$82 MILLION.

7. IMPORT RESTRICTIONS IMPOSED

THE GOV RECENTLY IMPOSED IMPORT RESTRICTIONS ON SEVENTEEN MAJOR ITEMS, MOSTLY CONSUMER GOODS, ALL ANTICIPATED BY AN

EARLIER DECREE WHICH IMPOSED PRIOR LICENSING REQUIREMENTS.
THERE WERE ALSO A FEW CAPITAL GOODS INCLUDED (CARACAS 3128).
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SINCE OSTENSIBLY THESE GOODS ARE ALREADY PRODUCED HERE,
THESE RESTRICTIONS ARE MORE OF A MOVE TO THROW A POLITICAL
BONE TO LOCAL MANUFACTURERS THAN A SERIOUS ATTEMPT TO LIMIT
LUXURY GOOD IMPORTS IN THE FACE OF A LOOMING B/P DEFICIT.
THE GOV ALSO ANNOUNCED THREE OTHER MEASURES WHICH HAVE MORE
SERIOUS POTENTIAL IN LIMITING IMPORTS; A) ALL IMPORTS BY
THE PUBLIC SECTOR ARE NOW SUBJECT TO REVIEW BY A GOVERN-
MENT COMMISSION TO ENSURE THAT THE IMPORTS ARE NECESSARY,
NOT OVER-PRICED NOR SOPHISTICATED, AND NOT AVAILABLE HERE
(CARACAS 3088); B) IMPORT DUTIES ON CERTAIN STEEL PRODUCTS
WERE INCREASED WITH THE STEEL-MAKING SUBSIDIARY OF CVG,
SIDOR, GIVEN AN APPARENT MONOPOLY ON ALL STEEL IMPORTS;
AND C) AN EARLIER DECREE PROHIBITING AUTOMOBILE IMPORTS
WAS EXTENDED TO INCLUDE CERTAIN TRUCKS AND A NEW SET OF
REFERENCE PRICES FOR CUSTOMS EVALUATION WAS PUBLISHED.

8. OTHER REPORTING THIS WEEK INCLUDED GOV RESPONSES TO
SOMOZA CLAIM OF VENEZUELAN INTERVENTION (CARACAS 3207 AND
3137), UNION-TO-UNION PROGRAM (CARACAS 3058), ASSESSMENT
OF PRESIDENT CARTER'S TRIP TO CARACAS (CARACAS 3046),
1978 DISASTER PREPAREDNESS SEMINAR (CARACAS 3042), NORTH-
SOUTH ISSUES (CARACAS 2946), PRESIDENT'S TRIP: EVENEZUELAN
COMPLAINT REGARDING US OIL IMPORT DUTIES (CARACAS 3048),
COUNTRY COMMERCIAL PROGRAM -PRELIMINARY CONTRIBUTION FOR
FY 1980), PREPARATION FOR 1979 WORLD ADMINISTRATIVE RADIO
CONFERENCE (CARACAS 3086), SELA FERTILIZER ACTION COMMITTEE
(CARACAS 3067), SELA MINISTERIAL AGENDA (CARACAS 3084),
CIVAIR: JOINT PROTEST (CARACAS 3064), VENEZUELAN IMPORT
RESTRICTIONS (CARACAS 3128), ENERGIA '78 INAUGURATION
(CARACAS 3126).
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Message Attributes

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Disposition Case Number: n/a
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Subject: THIS WEEK IN VENEZUELA
TAGS: EFIN, PEPR, PINT, PGOV, VE, NI
To: STATE
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vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/5ea6d4b4-c288-dd11-92da-001cc4696bcc
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